

Deloitte
& Touche

Annual Report

Consolidated Financial Statements of

SUNRISE INTERNATIONAL INC.

September 30, 2001

The accompanying consolidated financial statements were prepared by management of Sunrise International Inc. and its subsidiaries. Management is responsible for the accuracy and completeness of the information presented and for the preparation of the consolidated financial statements in accordance with the requirements of the *Income Tax Act* and the *Income Tax Regulations*. The consolidated financial statements have been audited by Deloitte & Touche, Chartered Accountants, and their report is presented on page 11.

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James J. McNamee

Chief Executive Officer

September 30, 2001

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Auditors' Report

To the Shareholders of
Sunrise International Inc.

We have audited the consolidated balance sheets of Sunrise International Inc. as at September 30, 2001 and 2000 and the consolidated statements of earnings and deficit and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2001 and 2000 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

December 10, 2001

SUNRISE INTERNATIONAL INC.
Consolidated Balance Sheets
September 30, 2019 and 2018

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SUNRISE INTERNATIONAL INC.**Consolidated Balance Sheets**

September 30, 2001 and 2000

	2001	2000
ASSETS		
CURRENT		
Cash	\$ -	\$ 1,239,718
Accounts receivable	1,800,834	1,928,275
Inventories	1,664,390	2,484,623
Prepaid expenses and deposits	453,527	199,648
Future income taxes (Note 11)	330,000	-
	4,248,751	5,852,264
NOTE RECEIVABLE (Note 3)	625,000	-
OTHER RECEIVABLES	420,231	297,451
PROPERTIES HELD FOR DEVELOPMENT (Note 4)	1,589,241	1,692,017
RENTAL PROPERTIES (Note 5)	3,957,423	4,817,509
CAPITAL ASSETS (Note 6)	20,187,672	20,507,739
INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS, SIGNIFICANTLY INFLUENCED COMPANIES AND OTHER INVESTMENTS (Note 7)	2,915,275	1,557,762
DEFERRED COSTS	73,777	79,501
FUTURE INCOME TAXES (Note 11)	80,000	-
GOODWILL (Note 8)	416,944	440,321
	\$ 34,514,314	\$ 35,244,564
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 192,988	\$ -
Accounts payable and accrued liabilities	1,632,590	2,571,735
Income taxes payable	456,743	173,910
Estimated income taxes (Note 11)	500,000	180,000
Current portion of long-term debt (Note 9)	1,556,067	1,004,859
	4,338,388	3,930,504
LONG-TERM DEBT (Note 9)	15,683,987	17,603,375
ESTIMATED INCOME TAXES (Note 11)	755,000	1,276,000
FUTURE INCOME TAXES (Note 11)	2,155,000	240,000
	22,932,375	23,049,879
CONTINGENCIES AND COMMITMENTS (Note 10)		
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	12,087,776	12,087,776
Contributed surplus	91,610	91,610
(Deficit) retained earnings	(597,447)	15,299
	11,581,939	12,194,685
	\$ 34,514,314	\$ 35,244,564

APPROVED BY THE BOARD

Gerard J.P. Levasseur, Chairman of the Board

Barry M. Schloss, Secretary

SUNRISE INTERNATIONAL INC.
Consolidated Statements of Earnings and Deficit
Years ended September 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
INCOME		
Sales		
Tourism and hotels	\$ 14,293,294	\$ 13,520,507
Retail	4,766,926	6,207,610
Rental	1,194,199	1,462,916
(Loss) earnings from investments in significantly influenced companies	(460,968)	292,944
Other	654,262	718,782
	<u>20,447,713</u>	<u>22,202,759</u>
EXPENSES		
Cost of sales		
Tourism and hotels	2,008,537	1,756,238
Retail	3,355,235	4,478,145
Rental	197,764	206,766
Bad debts	82,842	-
General and administrative expenses	10,828,060	11,140,343
	<u>16,472,438</u>	<u>17,581,492</u>
EARNINGS BEFORE THE FOLLOWING	<u>3,975,275</u>	<u>4,621,267</u>
OTHER CHARGES (INCOME)		
Depreciation and amortization	1,890,721	1,995,078
Interest		
Long-term debt	1,428,478	1,676,363
Operating interest and bank charges	166,107	212,792
(Gain) loss on sale of capital assets, properties held for development and from rental properties	(898,285)	247,159
	<u>2,587,021</u>	<u>4,131,392</u>
EARNINGS BEFORE INCOME TAXES	<u>1,388,254</u>	<u>489,875</u>
INCOME TAXES (RECOVERY) (Note 11)	<u>(254,000)</u>	<u>350,000</u>
NET EARNINGS	<u>1,642,254</u>	<u>139,875</u>
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	15,299	(124,576)
CHANGE IN ACCOUNTING POLICY (Note 2)	<u>(2,255,000)</u>	<u>-</u>
AS RESTATED	<u>(2,239,701)</u>	<u>(124,576)</u>
(DEFICIT) RETAINED EARNINGS, END OF YEAR	\$ (597,447)	\$ 15,299
BASIC AND DILUTED EARNINGS PER SHARE (Note 12)	\$ 0.037	\$ 0.003

SUNRISE INTERNATIONAL INC.
Consolidated Statements of Cash Flow
Years ended September 30, 2001 and 2000

	2001	2000
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING		
OPERATING		
Net earnings	\$ 1,642,254	\$ 139,875
Items not affecting cash		
Future income taxes	(750,000)	60,000
Depreciation and amortization	1,890,721	1,995,078
Loss (earnings) from investments in significantly influenced companies	460,968	(292,944)
(Gain) loss on disposal of capital assets, properties held for development, and rental properties	(898,285)	247,159
	2,345,658	2,149,168
Changes in non-cash operating working capital items	(403,085)	786,505
	1,942,573	2,935,673
FINANCING		
Proceeds from long-term debt	132,263	586,029
Repayment of long-term debt	(1,575,038)	(2,699,948)
Recovery of land rent	-	(36,858)
Issue of notes receivable	(124,440)	(106,500)
Proceeds from notes receivable	1,660	13,038
Estimated income taxes	(521,000)	-
	(2,086,555)	(2,244,239)
INVESTING		
Purchase of capital assets	(776,441)	(898,526)
Purchase of rental properties	(291,328)	(1,281,363)
Purchase of properties held for development	(497,340)	(161,516)
Proceeds from disposal of properties held for development	951,089	13,487
Proceeds from disposal of capital assets	293,464	146,982
Proceeds from disposal of rental properties	850,313	2,891,444
Advances to partnerships, significantly influenced companies and other investments	(2,118,481)	(376,564)
Dividends received from <i>significantly influenced companies</i>	300,000	-
	(1,288,724)	333,944
NET CASH (OUTFLOW) INFLOW	(1,432,706)	1,025,378
CASH, BEGINNING OF YEAR	1,239,718	214,340
(BANK INDEBTEDNESS) CASH, END OF YEAR	\$ (192,988)	\$ 1,239,718
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 1,440,812	\$ 1,385,000
Income taxes	414,614	502,325
	\$ 1,855,426	\$ 1,887,325

SUNRISE INTERNATIONAL INC.

Notes to the Consolidated Financial Statements

Years ended September 30, 2001 and 2000

1. DESCRIPTION OF BUSINESS

The Company is a holding company incorporated under the Business Corporations Act (Alberta). Its shares are traded on the Canadian Ventures Exchange.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company transactions have been eliminated. The wholly owned subsidiaries are:

Canoe Mountain Resort Inc.
Valemount Gondola Inc.
Jasper Inn Investments Ltd.
Maligne Tours Ltd.
Park Place Building Ltd.
Pyramid Construction Inc.
Yellowhead Equipment Inc.
Sunrise Investments Inc.

Valemount Mountain Resort Inc.
Valemount Ranch & Resort Inc.
Jasper Travel Agency Ltd.
581519 Alberta Ltd.
National Tractor Inc.
810473 Alberta Ltd.
373568 Alberta Ltd.
Liquor Hut Inc.

2. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventories

Inventories are valued at the lower of cost and net realizable value.

Properties held for development

Properties held for development are recorded at cost which includes the original purchase price, acquisition costs, interest on debt specifically related to the acquisition of the land, property taxes, and where applicable, development costs. Properties held for development are written down to estimated net realizable value in the year in which management determines that a permanent decline in value has occurred.

SUNRISE INTERNATIONAL INC.

Notes to the Consolidated Financial Statements

Years ended September 30, 2001 and 2000

2. ACCOUNTING POLICIES (continued)

Rental properties and capital assets

The Company records rental properties and capital assets at cost. Rental properties and capital assets acquired in 1989 from related parties were recorded at their fair market values at the time of transfer. Depreciation on these assets is provided using the following annual rates and methods:

Rental buildings	4% declining-balance
Tourism and hotel buildings	4% declining-balance
Retail buildings	5% declining-balance
Condominiums	4% declining-balance
Tourism marine vessels	15% declining-balance
Parking lots	8% declining-balance
Furniture and equipment	10% - 30% declining-balance
Vehicles	30% declining-balance
Signs	25% declining-balance

Assets identified as being on leased land are depreciated on a straight-line basis over the terms of their respective lease.

The Company's land leases are within Jasper National Park and have various lease expiry dates between 2007 and 2022.

Investments in and advances to partnerships, significantly influenced companies and other investments

Investments in companies in which the Company has significant influence and in partnerships are accounted for on the equity basis. Other investments are recorded at cost. Investments are written down when management has determined there has been a permanent decline in value.

Deferred costs

Costs relating to the leasing of lands in Jasper National Park have been capitalized. These costs are amortized over the term of the lease.

Goodwill

The excess of the cost of investments in subsidiaries over the fair value of the net assets acquired is recorded as goodwill. Goodwill is being amortized using the straight-line method over its estimated life of 16 to 24 years for assets on land leased in Jasper National Park. The Company assesses the continuing value of goodwill each year by considering current operating results, trends and projections. In the year of impairment in value, goodwill would be reduced by a charge to operations.

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 2001 and 2000

2. ACCOUNTING POLICIES (continued)

Income taxes

Commencing on October 1, 2000, the Company implemented the recommendations of CICA Handbook Section 3465, Accounting for Income Taxes. Under the new recommendation, the liability method of tax allocation is used in accounting for income taxes. Under this method, future tax benefits and obligations are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when these differences are expected to reverse. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized.

The recommendations were applied retroactively without restatement of prior years' financial statements. At October 1, 2000 future income tax liabilities of \$2,255,000 were recorded and this amount has been deducted from retained earnings at that date (Note 11).

Prior to the adoption of the new recommendations, income tax exposure was determined using the deferral method of tax allocation.

Employee future benefits

The Company and its subsidiaries have adopted the new Handbook Section 3461 of the Canadian Institute of Chartered Accountants ("CICA"), which requires that all employee future benefits be accounted for on an accrual basis. There is no material impact on the financial statements resulting from this change.

Use of estimates

The preparation of consolidated financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Statement of cash flow

The consolidated statement of cash flow is prepared using the indirect method.

3. NOTE RECEIVABLE

Interest is charged at 8.75% annually and is received in monthly instalments with repayment of the principal in full on November 15, 2002.

SUNRISE INTERNATIONAL INC.

Notes to the Consolidated Financial Statements

Years ended September 30, 2001 and 2000

4. PROPERTIES HELD FOR DEVELOPMENT

	<u>2001</u>	<u>2000</u>
Land and improvements	\$ 586,386	\$ 769,899
Leasehold interests in properties	445,000	445,000
Carrying costs	557,855	477,118
	<u>\$ 1,589,241</u>	<u>\$ 1,692,017</u>

Leasehold interests in properties include land located within Jasper National Park held under various leases that expire between 2010 and 2011. Carrying costs capitalized in the current year included property taxes and development costs.

During the year, the Company received proceeds on sale of land held for development of \$625,000 in the form of a note receivable (Note 3).

Included in land and improvements is land with a cost of \$407,500 that is provided as security on long-term debt of an equity accounted investee.

5. RENTAL PROPERTIES

	<u>2001</u>			<u>2000</u>
	<u>Cost</u>	<u>Depreciation and Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 446,668	\$ -	\$ 446,668	\$ 510,255
Buildings	2,130,077	251,565	1,878,512	2,500,232
Buildings on leased land	1,989,647	975,036	1,014,611	1,077,209
Parking lots	44,208	4,529	39,679	82,666
Signs	10,381	3,260	7,121	8,092
Condominiums on leased land	1,066,107	495,275	570,832	639,055
	<u>\$ 5,687,088</u>	<u>\$ 1,729,665</u>	<u>\$ 3,957,423</u>	<u>\$ 4,817,509</u>

Buildings on leased land are located within Jasper National Park on land held under various leases that expire between 2007 and 2022.

SUNRISE INTERNATIONAL INC.

Notes to the Consolidated Financial Statements

Years ended September 30, 2001 and 2000

6. CAPITAL ASSETS

	2001			2000
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 736,246	\$ -	\$ 736,246	\$ 736,246
Tourism and hotel buildings	8,841,027	1,891,211	6,949,816	7,248,256
Retail buildings	1,784,604	583,328	1,201,276	1,163,293
Condominium	245,354	18,829	226,525	232,033
Tourism marine vessels	1,564,755	1,095,033	469,722	469,314
Parking lots	360,007	150,090	209,917	228,171
Furniture and equipment	7,661,246	4,923,274	2,737,972	2,543,823
Vehicles	848,051	450,823	397,228	302,853
Signs	123,919	84,600	39,319	47,276
	22,165,209	9,197,188	12,968,021	12,971,265
Assets on leased land				
Tourism buildings	10,142,662	3,104,976	7,037,686	7,357,050
Parking lots	122,874	42,762	80,112	72,720
Swimming pool	136,067	34,214	101,853	106,704
	10,401,603	3,181,952	7,219,651	7,536,474
	\$ 32,566,812	\$ 12,379,140	\$ 20,187,672	\$ 20,507,739

Included in capital assets is equipment of \$253,477 (2000 - \$253,477) with accumulated amortization \$133,809 (2000 - \$101,662) and vehicles of \$205,586 (2000 - \$130,991) with accumulated amortization of \$68,145 (2000 - \$39,534) held under capital lease.

Assets on leased land are located within Jasper National Park on land held under various leases that expire between 2007 and 2022. Additions financed by capital lease were \$74,595 (2000 - nil).

The condominium with a carrying value of \$232,033 is jointly owned with an officer/director and is pledged as security for the debt of the officer/director.

During the year, the Company transferred \$760,569 of equipment from inventories to capital assets because the assets, which were available for sale in the prior year, are now being used in the Company's business. There was no cash involved in this transfer and, as such, it is not reflected in the statements of cash flow.

SUNRISE INTERNATIONAL INC.

Notes to the Consolidated Financial Statements

Years ended September 30, 2001 and 2000

7. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS, SIGNIFICANTLY INFLUENCED COMPANIES AND OTHER INVESTMENTS

		2000	2001			
	Ownership Percentage	Net Book Value	Advances (from) to Investee	Income (loss) of Investee	Dividends Recovered from Investee	Net Book Value
<i>Significantly Influenced Companies, Partnerships:</i>						
Thornton Court Hotel (a limited partnership)	49%	\$ -	\$ 1,922,120	\$ (310,377)	\$ -	\$ 1,611,743
TBS Transfer Ltd.	50%	(8,250)	-	83,572	-	75,322
Thomas Bus Sales (1990) Ltd.	50%	1,077,538	(158,539)	(147,821)	(300,000)	471,178
Hinton Food Services Ltd.	50%	195,904	280,243	(92,647)	-	383,500
Christmas in the Rockies (a partnership)	50%	117,140	1,554	(2,996)	-	115,698
Maligne Rafting Adventures Ltd.	50%	50,354	77,500	(36,888)	-	90,966
Rocky Mountain Christmas Ltd.	50%	-	-	46,189	-	46,189
Bridgeton Properties Inc.	50%	15,000	73,603	-	-	88,603
		1,447,686	2,196,481	(460,968)	(300,000)	2,883,199
<i>Other investments</i>		110,076	(78,000)	-	-	32,076
		\$ 1,557,762	\$ 2,118,481	\$ (460,968)	\$ (300,000)	\$ 2,915,275

Advances to partnerships and significantly influenced companies are without interest and have no specified terms of repayment.

Other investments do not have a quoted market value.

8. GOODWILL

	2001	2000
Cost	\$ 715,000	\$ 715,000
Accumulated amortization	(298,056)	(274,679)
	\$ 416,944	\$ 440,321

SUNRISE INTERNATIONAL INC.

Notes to the Consolidated Financial Statements

Years ended September 30, 2001 and 2000

9. LONG-TERM DEBT

	<u>2001</u>	<u>2000</u>
<i>Mortgages</i>		
Mortgage bearing interest at prime plus 1%, repayable in blended monthly payments of \$106,805, maturing in July, 2004. The mortgage is secured by two first mortgages and an unlimited corporate guarantee and a general security agreement granting a floating charge over specific land, tourism buildings, furniture and equipment, condominium, and an assignment of rents.	\$ 10,102,682	\$ 10,576,500
Mortgage bearing interest at a rate of 8%, maturing in 2010, repayable in blended monthly payments of \$5,000. The mortgage is secured by specific condominiums.	380,345	408,522
Mortgage bearing interest at a rate of 5%, payable monthly, principal repayable in full upon maturity in June, 2002 and is secured by a specific property held for development. This mortgage is owed to a corporation owned by a shareholder of the Company.	220,000	280,000
<i>Bank Loans</i>		
Demand bank loans bearing interest at rates of prime plus 1.5% to 1.75%, repayable in monthly payments of \$82,500 including interest subject to annual loan renewal.	6,325,645	7,127,216
The above bank loans and operating line of credit are secured by demand debentures and general security agreements granting a fixed and floating charge over all assets of the Company and specific charges against certain properties held for development, rental properties, capital assets and assignment of rents and fire insurance proceeds covering all buildings, tourism marine vessels, furniture and equipment and inventories.		
<i>Capital Lease</i>		
Capital leases bearing interest of 1.9% to 12.0%, repayable in blended monthly payments of \$7,622, maturing at various dates from November, 2001 to February, 2005. The leases are secured by specific equipment with a net book value of \$257,109.	211,382	215,996
	17,240,054	18,608,234
Less current portion	1,556,067	1,004,859
	\$ 15,683,987	\$ 17,603,375

During the year, \$74,595 in capital assets were acquired under capital lease.

SUNRISE INTERNATIONAL INC.

Notes to the Consolidated Financial Statements

Years ended September 30, 2001 and 2000

9. LONG-TERM DEBT (continued)

Principal repayments due within the next five years, assuming bank loans subject to annual loan renewal, are refinanced under similar terms.

2002	\$ 1,556,067
2003	1,422,853
2004	1,508,923
2005	1,568,735
2006	1,502,843

10. CONTINGENCIES AND COMMITMENTS

- a) The Company is in violation of a covenant with respect to its bank loans. Management does not believe that this default will affect terms of repayment.
- b) The Company has issued letters of guarantees on behalf of companies over which it has significant influence in the aggregate amount of \$75,000 as at September 30, 2001.
- c) The Company has entered into long-term land lease commitments for land located in Jasper National Park which expire between 2007 and 2022. Land lease payments are based on the appraised value of the land determined every three years. Estimated lease payments for the next year are \$192,000 under the current agreements.
- d) The Company has entered into a long-term rental agreement for retail space in Jasper for \$164,000 per year, which expires January 2006.
- e) The Company has entered into a lease agreement with a company, which is a shareholder of the Company, for retail space in Spruce Grove, Alberta, which is renewed annually on November 30, 2000. Estimated annual lease payments amount to \$17,000.
- f) The Company is contingently liable as a guarantor of \$5,010,494 of term loans of Thornton Court Hotel, a 49% owned investment.

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 2001 and 2000

11. INCOME TAXES

The income tax provision on the consolidated statements of earnings and retained earnings differs from the Company's statutory income tax rate of 43% (2000 - 45%) principally because the tax cost of capital assets is less than the carrying value for accounting purposes. The carrying value for accounting purposes was based on the fair market values of the assets at the time they were acquired by the Company. The tax cost of the assets did not change upon their acquisition. Therefore, depreciation expense for accounting purposes exceeds capital cost allowance for tax purposes.

The following reconciles income taxes calculated at the combined statutory Canadian federal and provincial income tax rate with the income tax provision in the consolidated financial statements.

	<u>2001</u>	<u>2000</u>
Income taxes based on the combined statutory Canadian federal and provincial income tax rate	\$ 595,000	\$ 220,000
Tax effect of non-capital losses not previously recognized	(135,000)	-
Reduction in income taxes resulting from statutory rate reductions		
Estimated	(90,000)	-
Future	(435,000)	
Reversing temporary differences	(295,000)	-
Large corporations tax	55,000	65,000
Other	51,000	65,000
	<u>\$ (254,000)</u>	<u>\$ 350,000</u>

The Company has non-capital losses available for future years amounting to \$1,100,000 (2000 - \$1,300,000) expiring between 2003 and 2008 of which the benefit of \$1,100,000 (2000 - \$960,000) has been recognized in these consolidated financial statements as future income taxes. During the year, non-capital losses of \$200,000 were utilized and the benefit of \$340,000 was recorded.

Estimated income taxes

Certain consolidated subsidiaries of the Company have taxation years that are different from the Company's year-end.

Estimated income taxes represent the income tax calculated on the income of these subsidiaries from the date of their latest taxation year to September 30, which is included in these consolidated financial statements.

The subsidiaries' actual tax liabilities may differ.

The estimated income taxes have been classified as current and non-current representing management's best estimate of the nature of the liability.

SUNRISE INTERNATIONAL INC.

Notes to the Consolidated Financial Statements

Years ended September 30, 2001 and 2000

12. SHARE CAPITAL

Authorized

Unlimited Class A common shares

Unlimited Class B restricted, non-voting shares

100,000,000 first preferred shares

20,000,000 preferred, redeemable shares, redemption price to be determined upon issuance

	<u>2001</u>	<u>2000</u>
Issued		
43,702,510 Class A common shares	\$ 12,087,776	\$ 12,087,776

There have been no changes in the number of common shares outstanding during the year.

13. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions with related parties not disclosed elsewhere in these consolidated financial statements are as follows:

- a) Transactions and balances with companies over which the Company has significant influence (20% to 50% equity interests).

	<u>2001</u>	<u>2000</u>
Rental and tourism revenue ⁽¹⁾	\$ 121,267	\$ 97,255
Accounting fees revenue ⁽²⁾	3,684	-
Dividends received ⁽²⁾	300,000	-
Repairs and maintenance expense ⁽¹⁾	362	-
Supplies expense ⁽¹⁾	248	-
Inventory purchase ⁽¹⁾	4,887	-
Advertising expense ⁽¹⁾	-	3,979
Management fees received ⁽²⁾	214,000	327,103
Balances in accounts receivable	315,953	17,950
Balances in accounts payable	18,319	296,471
Capital asset disposals ⁽²⁾	12,208	-

SUNRISE INTERNATIONAL INC.

Notes to the Consolidated Financial Statements

Years ended September 30, 2001 and 2000

13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- b) Transactions and balances with companies that are shareholders or corporations owned by shareholders of the Company.

	<u>2001</u>	<u>2000</u>
Rental and retail revenue ⁽¹⁾	\$ 20,376	\$ 325,950
Interest revenue ⁽¹⁾	-	15,836
Management fee revenue ⁽²⁾	-	21,000
Management fee expense ⁽²⁾	208,200	192,000
Rental expense ⁽¹⁾	41,625	14,818
Travel expense ⁽¹⁾	320	-
Vehicle repair expense ⁽¹⁾	3,619	-
Vehicles lease expense ⁽¹⁾	69,564	151,804
Vehicle purchase ⁽²⁾	92,995	-
Staff expense ⁽²⁾	1,762	-
Advertising fees expense ⁽¹⁾	18,660	34,688
Repairs and maintenance expense ⁽¹⁾	26,313	-
Interest expense ⁽²⁾	12,025	-
Capital assets purchased ⁽²⁾	372,149	1,372,571
Balances in accounts receivable	126,665	10,807

- c) Transactions and balances with individuals who are shareholders of the Company, directors of the Company, or shareholders of companies over which the Company has significant influence (20% to 50% interest).

	<u>2001</u>	<u>2000</u>
Rental revenue ⁽¹⁾	\$ 1,877	\$ 2,140
Legal expense ⁽¹⁾	4,451	3,358
Directors' fees expense ⁽²⁾	6,000	6,000
Vehicle lease expense ⁽¹⁾	9,836	10,000
Balance in other receivables	-	106,500
Balance in accounts receivable	8,723	164

- d) Transactions and balances with a company controlled by an individual in the Company's management.

	<u>2001</u>	<u>2000</u>
Retail revenue ⁽¹⁾	\$ 22,067	\$ 47,149
Management fee expense ⁽²⁾	28,785	48,000
Balance in accounts receivable	3,538	2,092
Balance in accounts payable	1,689	-
Capital asset purchases ⁽²⁾	-	13,000

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13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The above transactions have been recorded at:

⁽¹⁾ market rates; or

⁽²⁾ exchange rates as agreed between the related parties.

The balances have normal terms and conditions.

14. FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Company's cash flows, financial position and income. The risk related primarily to long-term debt issued at floating interest rates. Currently, \$16,428,327 of the Company's long-term debt is issued at floating interest rates. A 1% change in interest rates would change earnings before income taxes by \$164,000.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from customers. However, the Company has a large number of diverse customers, which minimizes concentration of credit risk.

Fair value

Fair values approximate amounts at which these instruments could be exchanged in a current transaction between willing parties. Fair values are based on estimates using present value and other valuation techniques, that are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Therefore, due to their subjective and uncertain nature, fair value amount should not be interpreted as being realizable in an immediate settlement of the instruments.

Current assets and liabilities are valued at their carrying values due to the relatively short period to maturity of these instruments. The fair value of other receivables and investments in and advances to partnerships, significantly influenced companies and other investments are not determinable as these instruments lack an available trading market. The fair value of long-term debt is assumed to approximate carrying value as the existing rates represent the rates currently available to the Company.

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15. SUBSEQUENT EVENT

Subsequent to year-end, the assets of Christmas in the Rockies and Rocky Mountain Christmas Ltd. were sold for total consideration of \$458,213. The Company's share is 50%. Consideration consists of \$75,700 in cash and \$382,513 in a note receivable.

The Company also sold the Park Place building for cash proceeds of \$2,200,000 subsequent to the year-end.

16. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

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17. SEGMENTED INFORMATION

	Tourism and Hotels		Retail		Rental		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
INCOME	\$ 14,293,294	\$ 13,520,507	\$ 4,766,926	\$ 6,207,610	\$ 1,194,199	\$ 1,462,916	\$ 20,254,419	\$ 21,191,033
SEGMENT OPERATING EARNINGS (LOSS)	\$ 2,343,366	\$ 2,384,762	\$ (93,053)	\$ (244,317)	\$ (107,412)	\$ (88,531)	\$ 2,142,901	\$ 2,051,914
(Loss) earnings from investments in significantly influenced companies							(460,968)	292,944
Other income							654,262	718,782
General corporate expenses							(417,748)	(650,243)
Interest on long-term debt							(1,428,478)	(1,676,363)
Gain (loss) on sale of capital assets, properties held for development and from rental properties							898,285	(247,159)
Income taxes							254,000	(350,000)
NET EARNINGS (LOSS)	\$ 19,001,991	\$ 19,780,838	\$ 4,237,126	\$ 5,992,889	\$ 4,428,251	\$ 4,643,175	\$ 27,667,368	\$ 30,416,902
Identifiable segment assets							3,931,671	3,269,900
Corporate assets							2,915,275	1,557,762
Investments in and advances to partnerships, significantly influenced companies and other investments							\$ 34,514,314	\$ 35,244,564
TOTAL ASSETS								
Identifiable segment capital expenditures	\$ 622,928	\$ 673,215	\$ 795,998	\$ 278,105	\$ 427,722	\$ 1,281,363	\$ 1,846,648	\$ 2,232,683
Corporate capital expenditures							498,100	161,517
TOTAL CAPITAL EXPENDITURES							\$ 2,344,748	\$ 2,394,200
Identifiable depreciation and amortization	\$ 1,210,778	\$ 1,335,085	\$ 236,580	\$ 219,533	\$ 370,937	\$ 357,900	\$ 1,818,295	\$ 1,912,518
Other depreciation and amortization							72,426	82,560
TOTAL DEPRECIATION AND AMORTIZATION							\$ 1,890,721	\$ 1,995,078

The Company operates primarily in three industries - tourism and hotels, retail and rental. Tourism and hotel operations include providing recreational services at Maligne Lake in Jasper National Park, Alberta, and hotel accommodations in Jasper, Hinton, Spruce Grove and Stony Plain, Alberta. Retail operations comprise the marketing of a variety of goods in various locations throughout Alberta. Rental operations consist of renting commercial and residential properties in various locations in Alberta. Inter-segment revenues are accounted for at prices comparable to open market prices for similar products and services.

